

Review of "state policies or specific institutional missions or conditions" in calculating an institution's "basic operations and instruction funding"

SCHEV maintains the cost of education funding model. As a result of the Higher Education Opportunity Act (TJ 21), SCHEV also calculates other elements of basic operations and instruction funding, including faculty salaries, and operation and maintenance of facilities. SCHEV also produced a comparison of the fund sources used to address the cost of education.

SCHEV unilaterally does not make changes to the funding model but works cooperatively with the Governor, the General Assembly, and the institutions to keep the model current and reflective of base funding, equity, and institutional differences.

Inherent in the funding model is recognition of institutional differences, including size, program mix, and institutional type. In addition, SCHEV has adopted modifications to elements of the model to account for special situations, such as funding for the VCCS system office and for additional funding under an agreement with the U.S. Office for Civil Rights.

Over the years, institutions and others have asked that additional adjustments be made to recognize state policies or institutional missions. Some have been accepted and others have not. TJ 21 includes language specifically referring to potential "adjustments."

§ [23-38.87:13](#). Calculation of state general fund share of an institution's basic operations and instruction funding need; cost of education.

A. Following consultation with each institution and the Higher Education Advisory Committee described in § [23-38.87:20](#), the Council shall calculate each institution's basic operations and instruction funding need as provided in subsection B for each year of the next biennium and shall make that calculation available to the Governor, the General Assembly, and all public institutions of higher education. Each institution's basic operations and instruction funding need, and the Commonwealth's funding split policy by which 67 percent of an institution's cost of education for Virginia students is funded from the state general fund and 33 percent from funds other than the state general fund, shall be taken into account by the Governor during the preparation of his proposed biennial budget bill recommending the appropriation act for the next biennium and by the General Assembly in enacting that act. Between these biennial recalculations, an institution's appropriated basic operations and instruction funding may be increased or decreased for (i) an increase or decrease in Virginia undergraduate student enrollment as provided in § [23-38.87:14](#), (ii) meeting or not meeting targeted financial incentives listed in § [23-38.87:16](#), and (iii) any other purpose deemed appropriate by the General Assembly.

B. An institution's basic operations and instruction funding need for each fiscal year of the biennium shall be the sum of (i) the institution's cost of education for the total enrollment of students who actually attended that institution during the fiscal year that ended on June 30 of each odd-numbered year, which shall be

determined using a cost-based funding policy that consists of a set of formulas for calculating educational cost based on faculty-student ratios by discipline and level, and the educational and general programs of instruction, academic support, student services, institutional support, and operation and maintenance of physical plant, **with adjustments to the funding policy based on particular state policies or specific institutional missions or conditions**, (ii) the amount required to reach the Commonwealth's faculty salary goal of the 60th percentile of the most recently reported average faculty salaries paid by that institution's peer institutions, and (iii) such other funding for educational and general services as the General Assembly may appropriate. **(Highlights added.)**

SCHEV “consulted” with the Higher Education Advisory Committee in July and with institutions at intervals since then. Subsequently, SCHEV received 16 proposals from seven institutions. In addition, three proposals arose through discussions with several institutions during the six-year planning meetings. Finally, members of the “op six” group identified several adjustments that could be considered through this process.

Proposals for adjustments	CWM	VT	VMI	VCU	VCCS	UVA	JMU	Other
Student-faculty ratios	x	x	x					
Cost components of model		x		x	x	x		x
Cost and fund split for professional programs		x		x		x		x
Other fund-split issues		x						x
Adjustments to revenue							x	x

SCHEV staff met with representatives of the “op six” group (offices of the Secretaries of Education and Finance, Department of Planning and Budget, Senate Finance Committee, and House Appropriations Committee) to discuss options for addressing the issues raised by institutions and others. Among the possible options include the following:

1. Agree to changes and incorporate them into the model
2. Disagree to changes and do not incorporate them into the model
3. Separate the request from consideration within the model and ask institution to submit a separate budget initiative request
4. Submit the request to further review, which might also take into account other related issues
5. Have SCHEV make a recommendation to the Governor and the General Assembly as part of budget process or in subsequent process

To date, SCHEV has worked with the “op six” group to make two changes to the cost of education model in response to institutions. These requests affect all institutions and involve student fees used to pay debt service. We are considering a third adjustment related to tuition revenue used for student financial aid. The remaining items continue to be under discussion. For some, institutions have submitted budget initiative requests. Others will require a more detailed analysis and consideration of related factors or will be considered as part of SCHEV’s budget recommendations. We are in the process of working with institutions and “op six” to communicate the status of the proposed adjustments.